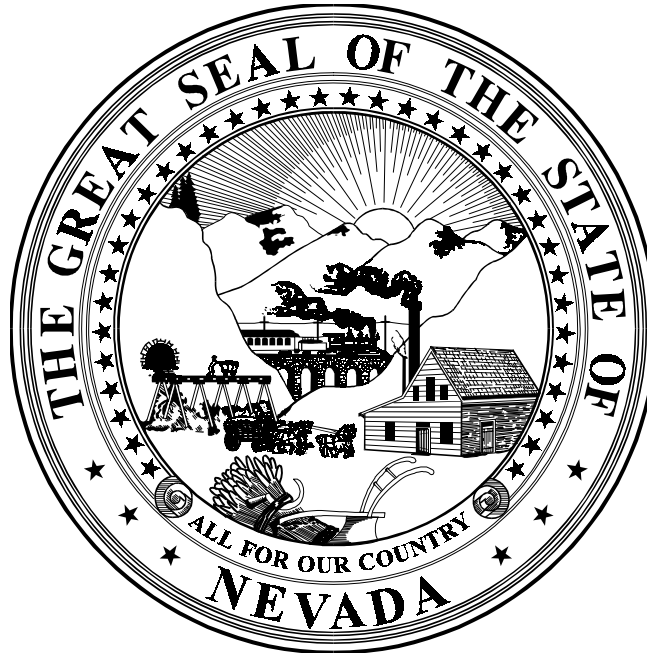


# STATE OF NEVADA

## GAMING CONTROL BOARD



### MINIMUM INTERNAL CONTROL STANDARDS

**Note:** When adopted in 1997, these standards applied to both Group I and Group II licensees. In February 2000, the Nevada Gaming Commission amended the definition of “Group II licensee” and revised Regulation 6.090 to require that Group II licensees (i.e., redefined as those licensees with annual gross gaming revenues of less than \$3 million) follow Internal Control Procedures rather than the Minimum Internal Control Standards. Therefore, although these standards make numerous references to Group II licensees, these standards no longer apply to such licensees – they only apply to those licensees with annual gross gaming revenues of \$3 million or more. References to Group II licensees will be deleted with the next formal revision of the Minimum Internal Control Standards.

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## RACE AND SPORTS BOOKS

### ***Betting Tickets and Equipment Standards***

1. The time generated by the computer during ticket writing is tested each day by a supervisor independent of the ticket writing and cashiering function (this person may also be independent of the book). For outstation and satellite books this test is performed at the location of the main computer.
2. Race and sports books must contact the Naval Observatory Master Clock to verify the correct time each day events are held and wagers are accepted. The main computer should then be adjusted as required.

**Note 1: A telephone number for the Naval Observatory Master Clock is (202) 762-1401.**

**Note 2: This standard does not apply to outstation and satellite books.**

3. The test, and any adjustments necessary due to discrepancies, is documented in a log (or in another equivalent manner) which includes the station number, date, time of test, time per computer, name or signature of the employee performing the test, and any other relevant information. For outstation and satellite books the logs must be made available at each licensed location upon request.
4. All date, time and numerical sequence stamping machines used by the book (for parlay cards, voiding cards/tickets, and payouts) are directly and permanently wired to the electrical supply system (or in another approved manner).
5. Only maintenance, engineering, or security employees/personnel have access to fuses or fuse-like devices used in connection with the machines.
6. At least once during each eight hours of operation someone independent of the ticket writing function examines and tests the stamping machines to ensure their date and time accuracy to the nearest minute. For satellite books this test can be performed by the ticket writer.
7. For books with casino operations and for outstation books, the above test is performed at least weekly by someone independent of the book.
8. The test, and any adjustments necessary due to discrepancies, is documented in a log (or in another equivalent manner) which includes the station number, date, time of test, time on machine, name or signature of employee performing the test, and any other relevant information.
9. Keys (originals and all duplicates) to the date, time, and numerical sequence stamping devices are maintained and used by a department or personnel who are independent of the ticket writing and cashiering functions.

### ***Wagering Standards***

10. All transfers of chips/cash between writer banks and cashier banks are properly authorized and documented.

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11. Whenever a betting station is opened for wagering or turned over to a new writer, the writer signs on and the computer documents the writer's identity, the date and time, and the fact that the station was opened.
12. Whenever the betting station is closed or the writer is replaced, the writer signs off and the computer documents the date and time and the fact that the station was closed.
13. Upon accepting a wager, a betting ticket is created in triplicate as follows:
  - a. An original which is transacted and issued through a printer and given to the patron or, in case of a wire communication wager, held at the book for the patron.
  - b. A copy which is recorded concurrently with the generation of the original ticket either on paper or other storage media (e.g., tape or diskette).
  - c. A restricted copy which is not accessible to book employees.
14. If a book voids a betting ticket then:
  - a. A void designation is immediately written/stamped or branded by the computer on the ticket.
  - b. For not-in-computer voids, the date and time at which the ticket was voided is stamped on the original. A supervisory employee and one other person sign the ticket at the time of voiding. For satellite books the second signature can be a supervisor of the host property.

### ***Wagering Cutoff***

15. A sporting event wager is not accepted after the start of the event unless "in progress" or a similar notation is indicated on the original and each copy of the betting ticket, and the computer system documents the supervisor's approval.
16. A race wager is not accepted after the occurrence of post time, as defined in Regulation 22.
17. The cutoff time for event wagering will be set up or established in the computer in accordance with the provisions of Regulation 22.
18. The computer either is incapable of transacting/accepting a wager subsequent to the above cutoff times or produces a report which specifically identifies such wagers.
19. The computer either is incapable of voiding a ticket subsequent to the cutoff time or produces a report which specifically identifies such voided tickets.

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- 20. The computer is incapable of establishing or changing a cutoff/starting time to a time that is earlier than the current time of day.
- 21. Tickets will not be written or voided after the outcome of an event is known.

### ***Payout Standards***

- 22. Prior to patrons receiving payouts on winning tickets, results are input into the computer's administrative terminal for computerized grading of all wagers.
- 23. Prior to making payment on a ticket or crediting the winnings to the patron's account:
  - a. The cashier inputs the ticket sequence number into the cashier's terminal; or
  - b. The computer system automatically updates the patron's account when the event results are posted.
- 24. Upon computer authorization of payment, the patron's copy is immediately written/stamped or branded by the computer with a paid designation, and noted with the amount of payment and date.
- 25. In case of computer failure, tickets may be paid. In those instances where system failure has occurred and tickets are manually paid, a log will be maintained which includes:
  - a. Date and time of system failure.
  - b. Reason for failure.
  - c. Date and time system restored.
- 26. All manually paid tickets are entered into the computer system as soon as possible to verify the accuracy of the payout (this does not apply to purged, unpaid winning tickets). All manually paid tickets must be regraded as part of the end-of-day audit process should the computer system be inoperative.
- 27. For all payouts which are made without computer authorization, the date and time must be stamped on the patron's copy.
- 28. Documentation supporting and explaining payouts made without computer authorization is:
  - a. Reviewed by the book manager or other authorized supervisory personnel, as evidenced by signature.
  - b. Regraded as part of the end-of-day audit process.
- 29. The computer is incapable of authorizing payment on a ticket which has been previously paid, a voided ticket, a losing ticket, or an unissued ticket.

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30. If a progressive pool is used for wagers:
- a. Adequate documentation is retained regarding the rules, increment procedures and any reductions in the progressive amounts.
  - b. The progressive amount is displayed in the book.
  - c. The progressive liability is recorded on a daily basis.
  - d. Audit personnel recalculate the progressive increment on a sample basis, at least once a week.

### ***Checkout Standards***

31. The system indicates the amount of cash that should be in each writer and cashier station.
32. For each writer station and each cashier station, a summary report is completed at the conclusion of each shift including:
- a. Computation of cash turned in for the shift.
  - b. Signatures of two employees who have verified the net cash proceeds for the shift.

### ***Employee Segregation***

**Administrative functions include setting up events, changing event data, and inputting results at any time.**

33. Race and sports book employees are prohibited from wagering on race/sports events while on duty, including during break periods. (Race book employees are not prohibited from placing wagers from the customer area in the sports pool, and vice versa, during breaks.)
34. The end-of-day report generation procedure must be performed by or observed by a person from an independent department.
35. Computer storage media must be removed to an independent department.
36. Employees who perform the supervisory functions of approving void tickets and over-the-limit wagers do not write tickets unless:

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- a. The only supervisory functions allowed are approvals for over-the-limit wagers and the voiding of tickets prior to post time.
  - b. A supervisor, acting as a writer, may not authorize a void for a ticket which he wrote.
  - c. All tickets written by a supervisor which are subsequently voided and all not-in-computer voids must be recorded in a log, used specifically for that purpose, which indicates the supervisor's/writer's name and the name of the person authorizing the void.
  - d. The log must be forwarded to a department independent of the book (i.e., accounting/auditing) on a daily basis for a 100% audit of voids for the proper signature, a void designation on the ticket, any indications of past-post voiding, and other appropriate regulation compliance. Any discrepancies noted and investigations performed must be documented in writing and maintained.
  - e. A supervisor, acting as a writer, may not authorize an over-the-limit wager for a ticket he writes.
  - f. A department independent of the book (i.e., accounting/auditing) must perform a 100% audit of the exception report for any inappropriate use of the supervisory password. Any discrepancies noted and investigations performed must be documented in writing and maintained.
37. Employees who have access to an administrative terminal or perform administrative functions do not write tickets unless:
- a. The computer system is programmed to generate an exception report covering all administrative and supervisory activities for writers who act as supervisors and administrative terminal operators.
  - b. The audit clerk performs a 100% audit of the above exception report. This includes verifying all event setups to an independent source, reviewing all data inputs and results, checking off-times for reasonableness and checking for any inappropriate use of the supervisory password. Any discrepancies noted and investigations performed must be documented in writing and maintained.
  - c. The only book personnel allowed access to the operator file are the book manager and one designated supervisor (who does not write or cash tickets).
  - d. The audit clerk reviews the daily exception report for changes to the personnel access listing.
  - e. Administrative terminal operators/supervisors must have one operator number for both functions: supervising and writing.
38. Employees who have access to an administrative terminal or perform administrative functions do not cash tickets unless:

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- a. The computer system is programmed to generate an exception report covering all administrative and supervisory activities for cashiers who act as supervisors and administrative terminal operators.
- b. The audit clerk performs a 100% audit of the above exception report.
- c. The unpaid win ticket report is printed in a restricted area.
- d. An additional identifier is printed on all tickets which will not appear on the unpaid win ticket report but must be entered into the computer system before the computer will authorize payment.
- e. Payments on any lost tickets must be approved by an independent supervisor.
- f. The audit clerk must verify the above approval for propriety.
- g. The only book personnel allowed access to the operator file will be the book manager and one designated supervisor (who does not write or cash tickets).
- h. The audit clerk must review the exception report for changes to the personnel access listing.
- i. Administrative terminal operators/supervisors must have one operator number for all functions: supervising and cashiering.
- j. Supervisors must have separate banks. An individual of equal or greater authority must verify the cashier bank count before the turn-in is taken to the cage.
- k. A person of equal or greater authority must approve all payouts by a supervisor greater than \$10,000.

***Generic Passwords for Cage Cashiers***

39. If generic passwords are used by cage cashiers:
- a. Each cashier must redeem tickets from their assigned window.
  - b. After verifying it as a winning ticket in the race and sports book terminal, the cashier will then initial the patron's copy of the ticket, immediately date/time stamp the ticket at their assigned window, and then maintain the ticket in their cash drawer.
  - c. Each cashier must be assigned a unique date/time stamp used solely at their assigned window.
  - d. Payouts of \$2,000 or more require the supervisor to input their approval code and to initial the ticket.
  - e. Payouts of \$10,000 or more require management personnel independent of the cage department to input their approval code and to initial the ticket.

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- f. A summary sheet must be prepared which lists all of the cashiers working that shift, their assigned windows, the date/time stamp identification, and the total tickets cashed per cashier. The total of that report is then balanced to the total cashed per the race and sports book end of shift report.
- g. Any discrepancies noted and investigations performed must be documented in writing and maintained.

### ***Computer Reports***

- 40. Adequate documentation of all pertinent race and sports book information is generated by the computer system.
- 41. This documentation is restricted to authorized personnel.
- 42. The documentation is created daily and includes, at a minimum:
  - a. Ticket number.
  - b. Date/time of transaction.
  - c. Type of wager.
  - d. Team/horse identification.
  - e. Amount of wager/payout (by ticket, by writer/cashier and in total).
  - f. Wagering accounts (identification and total by account).
  - g. Future wagers (by ticket, by dates of events, in total by day, and in total at the time of revenue recognition).
  - h. Unpaid winners (by ticket and in total by day).
  - i. Results (date/time of event per the cutoff time input to the computer, team names and team/horse identifications, and payout data).
  - j. Daily recap:
    - 1) Date.
    - 2) Total:
      - (a) Cash write for the day.



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- (b) Futures written for the day.
  - (c) Futures brought back into revenue (today's events).
  - (d) Accrual write: (a) less (b) plus (c).
  - (e) Cash paid out on prior days' events.
  - (f) Cash paid out on today's events.
  - (g) Cash payouts for the day.
  - (h) Unpaid tickets for the day.
  - (i) Accrual payouts: (f) plus (h).
  - (j) Unpaid winners brought back into revenue.
  - (k) Taxable revenue: (d) less (g) or (a) less (g).
  - (l) Book (accounting) revenue: (d) less (i) plus (j).
- k. Exception information (sorted by exception type), including:
- 1) Voids, past-post voids, past-post write.
  - 2) Changes in odds, cut-off times, results, event data.
  - 3) All supervisory approvals/overrides.
- l. Daily personnel access listing which includes at a minimum:
- 1) Employee name and/or identification number.
  - 2) Listing of functions employee can currently perform or equivalent means of identifying same.

### ***Accounting and Auditing Functions***

**Board approved software may be used to perform some of the accounting/auditing standards.**

43. Documentation is maintained evidencing the performance of all race and sports accounting and auditing procedures.

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44. The race and sports book accounting and auditing procedures are performed by personnel who are independent of the transactions being audited/accounted for.

### ***Accounting Standards***

45. At least annually, accounting personnel will foot the write on the restricted copy of written tickets for a minimum of one shift and trace the total to the total produced by the system.
46. Accounting personnel foot the customer copy of paid tickets for a minimum of one cashier station per month and trace the totals to those produced by the system.
47. The write and payouts are compared to the cash proceeds/disbursements with a documented investigation being performed on all large variances (i.e., overages or shortages greater than \$100.00 per writer/cashier).

### ***Auditing Standards***

48. For all sports book winning tickets and parlay card tickets in excess of \$10,000, for all race book winning tickets in excess of \$1,000, and for a random sample of .2% (two tenths of one percent) of all other winning race book and sports book tickets:
- a. The tickets are recalculated and regraded using the computer record of event results.
  - b. The date and starting time of the event/race per the results report are compared to the date and time stamp on the ticket and in the computer sales/transaction report.
  - c. The terms of the wagers (e.g., point spreads, money-lines, etc.) per the computer sales/transaction report or per the results report (if that summary lists all point spreads and money lines at which wagers were written or if an equivalent report satisfying this requirement is produced) are reviewed and compared to an independent source for extravagant or questionable activity.
49. For all voided tickets:
- a. The computer reports which display voided ticket information are examined to verify that tickets were properly voided prior to the cutoff times for event wagering.
  - b. The voided tickets are examined for a void designation and proper signatures.

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50. The book's computerized summary of events/results report is traced to an independent source for 5% of all sporting events and 5% of all races to verify the accuracy of starting times (if available from an independent source) and final result.
51. Exception reports are reviewed on a daily basis for propriety of transactions and unusual occurrences including:
  - a. Changes to the personnel access listing.
  - b. Changes in odds, cut-off times, results, event data.
52. Any investigation performed regarding the exception reports is documented.
53. At least one day per calendar quarter, the computer-generated reports are reviewed for proper handling of future wagers, unpaid winners, and wagering accounts.

### ***Statistics***

54. Reports are maintained for each month and year-to-date (or as otherwise specified by regulation) which indicate the total amount of wagers accepted, total amount paid out on winning wagers, the net amount won by the book, and the win-to-write percentage for:
  - a. Each sport (e.g., baseball, basketball, football, hockey, golf, boxing, etc.).
  - b. Sports parlay cards.
  - c. Horse/greyhound racing.
55. This information is presented to and reviewed by management independent of the race and sports book on at least a monthly basis.
56. The above referenced management investigates any unusual statistical fluctuations with race and sports book personnel. This review will be performed by comparing the current period statistics for each type of event with those of applicable prior periods.
57. The results of such investigations are documented in writing and maintained.

### ***Wagering Accounts***

**The following standards represent the minimum acceptable credit procedures. If credit adjustments are listed on the NGC tax returns, the requirements of Regulation 6.120 must also be met.**

58. Before a book accepts a wager or receives wagering information from a patron by wire communication:
  - a. The patron must personally appear at the premises of the book.

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- b. An employee of the book examines, in the patron's presence, the patron's valid driver's license or other reliable identity credential.
  - c. The employee must record:
    - 1) The patron's name, permanent home address (other than a post office box number), and home telephone number.
    - 2) The patron's mailing address and, if the mailing address is not a post office box number and is a residence or place of business of the patron, the telephone number of the residence or place of business.
    - 3) The patron's date of birth and social security number.
    - 4) The method used to verify the patron's identity and residence, and a description, including the document number, of the identity credential examined.
    - 5) The patron's approved credit limit or the amount of the patron's initial front money deposit.
    - 6) The patron's account number with the book.
    - 7) The date the patron's account with the book is opened.
59. For each account established by a book permitting a patron to wager on credit, the book shall:
- a. Record and verify such information as is necessary for the efficient collection of debts, including the name and address of the patron for whom the book establishes the account.
  - b. Comply with the requirements for establishing wagering accounts pursuant to Regulation 22.

### ***Wire Communication Wagers***

60. Procedures are established to prevent the acceptance of wagers from persons other than the bettors for whom wagering accounts are established, to ensure the proper identity of patrons making wagers by wire communication, and to verify that the wire communication originated in Nevada.
61. For each wagering or credit account established, the computer shall record:
- a. The date, amount, and a description of each debit and credit to the account.
  - b. For each wager accepted:

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- 1) The date the book accepts the wager.
  - 2) The number of the betting ticket.
  - 3) The amount of the wager.
- c. The personal identification number or other security code, if any, assigned to the patron.
62. All credit limits in excess of a specified amount (not to exceed \$20,000) are approved in advance by management independent of the book, if possible, or at a minimum by an individual at the level of book manager.
63. A master listing of all wagering accounts is prepared and reconciled to the individual account balances at least monthly.

***Write-Off Standards***

64. Written-off wagering accounts are authorized in writing by at least two management officials from departments independent of the credit transaction.
65. Access to written-off wagering accounts/credit instruments are restricted to individuals specified by management.